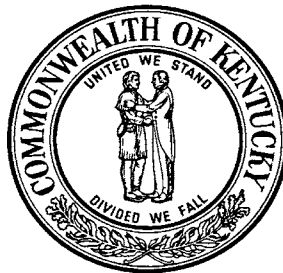


**REPORT OF THE AUDIT OF THE  
GARRARD COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**March 30, 2002**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
**[www.kyauditor.net](http://www.kyauditor.net)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
GARRARD COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**March 30, 2002**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2001 Taxes for the Garrard County Sheriff as of March 30, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$4,139,398 for the districts for 2001 taxes, retaining commissions of \$156,501 to operate the Sheriff's office. The Sheriff distributed taxes of \$3,979,014 to the districts for 2001 Taxes. Taxes of \$118 are due to the districts from the Sheriff.

**Report Comments:**

- The Sheriff Should Make Daily Deposits
- Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 2001 TAXES .....	3
NOTES TO FINANCIAL STATEMENTS .....	5
COMMENTS AND RECOMMENDATIONS .....	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	13





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable E. J. Hasty, Garrard County Judge/Executive  
Honorable Ronald G. Wardrip, Garrard County Sheriff  
Members of the Garrard County Fiscal Court

Independent Auditor's Report

We have audited the Garrard County Sheriff's Settlement - 2001 Taxes as of March 30, 2002. This tax settlement is the responsibility of the Garrard County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Garrard County Sheriff's taxes charged, credited, and paid as of March 30, 2002, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable E. J. Hasty, Garrard County Judge/Executive  
Honorable Ronald G. Wardrip, Garrard County Sheriff  
Members of the Garrard County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff Should Make Daily Deposits
- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 19, 2003



GARRARD COUNTY  
RONALD G. WARDRIP, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES

March 30, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 345,164	\$ 635,771	\$ 2,221,991	\$ 586,778
Tangible Personal Property	9,904	12,440	54,374	32,659
Intangible Personal Property				17,976
Taxes Increased Through				
Erroneous Assessments	292	551	1,795	412
Franchise Corporation	46,165	82,914	256,076	
Limestone, Sand, and Mineral Reserves	120	258	770	203
Penalties	2,654	4,837	17,014	4,454
Adjusted to Sheriff's Receipt		12	5	(2)
Gross Chargeable to Sheriff	<u>\$ 404,299</u>	<u>\$ 736,783</u>	<u>\$ 2,552,025</u>	<u>\$ 642,480</u>
<u>Credits</u>				
Exonerations	\$ 1,564	\$ 2,818	\$ 9,877	\$ 3,093
Discounts	4,408	8,032	28,248	8,027
Delinquents:				
Real Estate	11,360	21,212	73,127	19,311
Tangible Personal Property	396	515	2,176	1,747
Intangible Personal Property				278
Total Credits	<u>\$ 17,728</u>	<u>\$ 32,577</u>	<u>\$ 113,428</u>	<u>\$ 32,456</u>
Taxes Collected	\$ 386,571	\$ 704,206	\$ 2,438,597	\$ 610,024
Less: Commissions *	<u>16,717</u>	<u>21,307</u>	<u>92,264</u>	<u>26,213</u>
Taxes Due	\$ 369,854	\$ 682,899	\$ 2,346,333	\$ 583,811
Taxes Paid	369,480	682,173	2,344,144	583,217
Refunds (Current and Prior Year)	<u>343</u>	<u>640</u>	<u>2,188</u>	<u>594</u>
Due Districts		**		
as of Completion of Fieldwork	<u>\$ 31</u>	<u>\$ 86</u>	<u>\$ 1</u>	<u>\$ 0</u>

\* And \*\* See Next Page.

The accompanying notes are an integral part of the financial statements.

GARRARD COUNTY  
 RONALD G. WARDROP, COUNTY SHERIFF  
 SHERIFF'S SETTLEMENT - 2001 TAXES  
 March 30, 2002  
 (Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,425,513
3.8% on	\$	2,371,468
3.2% on	\$	67,129
1.0% on	\$	265,288

\*\* Special Taxing Districts:

Library District	\$	13
Health District		12
Extension District		10
Fire District #2		42
Fire District #3		3
Fire District #4		<u>6</u>
Due Districts	\$	<u><u>86</u></u>

GARRARD COUNTY  
NOTES TO FINANCIAL STATEMENTS

March 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of March 30, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

GARRARD COUNTY  
NOTES TO FINANCIAL STATEMENT  
March 30, 2002  
(Continued)

Note 4. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 2001, through March 30, 2002.

Note 5. Interest Income

The Garrard County Sheriff earned \$2,441 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 6. Sheriff's 10% Add-On Fee

The Garrard County Sheriff collected \$14,642 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of March 19, 2003, the Sheriff owes \$206 in 10% add-on fees to his fee account.

Note 7. Advertising Costs And Fees

The Garrard County Sheriff collected \$1,484 of advertising costs and \$630 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

Note 8. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2000 taxes, the Sheriff had \$2,000 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

## COMMENTS AND RECOMMENDATIONS



GARRARD COUNTY  
RONALD G. WARDRIP, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

March 30, 2002

STATE LAWS AND REGULATIONS:

The Sheriff Should Make Daily Deposits

Our test of receipts revealed that the Sheriff did not make daily deposits during the 2001 tax collections. KRS 68.210, 45 KAR 1:070, and TAB 93:002, require the Sheriff "to deposit all public funds received into an official bank account on a daily basis." We recommend the Sheriff make daily deposits of all public funds received as required

*Sheriff's Response:*

*Will attempt to comply with KRS 68.210.*

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily deposit, and receipts ledger.
- The Sheriff should compare the monthly tax report to receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The Sheriff could document this by initialing the monthly tax report.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

*Sheriff's Response:*

*Will comply to recommendation.*

THIS PAGE LEFT BLANK INTENTIONALLY



REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable E. J. Hasty, Garrard County Judge/Executive  
Honorable Ronald G. Wardrip, Garrard County Sheriff  
Members of the Garrard County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Garrard County Sheriff's Settlement - 2001 Taxes as of March 30, 2002, and have issued our report thereon dated March 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Garrard County Sheriff's Settlement - 2001 Taxes as of March 30, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Make Daily Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Garrard County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is also considered to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 19, 2003

